Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1245 (Stern) – As Amended June 15, 2026

Policy Committee: Utilities and Energy Vote: 11 - 4

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill makes several changes to laws governing the California Energy Commission's (CEC) triennial transportation fuels assessment and annual market oversight report produced by the Division of Petroleum Market Oversight (DPMO) within the CEC.

Specifically, this bill:

1) Makes the statutorily required CEC report due to the Legislature on July 1 of every third year, instead of on January 1 of every third year, and similarly makes the statutorily required DPMO annual petroleum market oversight report due to the Legislature by July 1 of each year.

2) Removes the requirement in existing law that the CEC recommend an alternative gasoline specifications strategy and, instead, requires the CEC to implement the strategy.

3) Requires the 2027 DPMO report to analyze, among other things, the price differential between branded versus unbranded gasoline sold in California and import market competition barriers.

FISCAL EFFECT:

1) This bill creates significant new administrative and analytical workload of the CEC and the Air Resources Board.

   The CEC did not itemize specific cost drivers resulting from the need to implement a strategy to facilitate the sale of gasoline with alternative fuel specifications but generally estimates the effort to require resources in the hundreds of thousands of dollars (Energy Resources Programs Account). The CEC has projected a structural deficit in ERPA, its main funding source.

   The ARB describes alternative fuels specifications as based upon (a) the CEC triennial transportation fuels assessment and (b) ARB's emissions testing and modeling work. The ARB estimates one-time costs of $624,000 (Air Pollution Control Fund) for the full-time work of two air pollution specialists ($252,000 and $225,000) and part-time work of an administrative analyst ($62,000), an attorney ($43,000) and an IT specialist ($40,000) to identify alternative fuel specifications. Much of the work ARB attributes to this bill is for activities to "support adoption of new fuel specifications" and related ARB rulemakings which, presumably, is what ARB understands to be necessary to "implement" a strategy to facilitate the sale of gasoline with alternative fuel specifications.

2) The CEC reports that the DPMO will need significant new resources in the form of a one-time external contract of approximately $200,000 to allow it to conduct the analysis this bill requires DPMO to include in its 2027 report.

COMMENTS:

1) **Purpose**. The author intends this bill to allow the state to successfully manage a transition away from using petroleum. According to the author:

> California's challenge is no longer simply reducing petroleum demand—it is managing the transition responsibly. As the state moves through the mid-transition period, refinery capacity, fuel imports, market concentration, and fuel specifications will increasingly determine whether consumers experience affordability and reliability or volatility and disruption….Ultimately, SB 1245 is about ensuring that California's energy transition remains affordable, reliable, transparent, and consumer-focused while preserving the state's long-term climate and energy security goals.

2) **Background.** The retail price of gasoline in California is regularly more expensive than it is in other states. Some of the reasons for this price differential are well understood, others more mysterious.

Finding a Way Off Fuel Island. As many, many others have said, California is a fuel island. Not an actual island, but like an island: the state's unique fuel blend (the California Reformulated Blendstock for Oxygenate Blending, or CARBOB), the scarcity of out-of-state refiners that are capable of producing CARBOB, limited rail capacity and pipelines that flow out of, but not into, the state. Add to this a limited, and shrinking, number of in-state petroleum refiners. These factors, together, isolate California from large volumes of readily available gasoline imports. They also make California susceptible to gasoline price spikes when, for example, an in-state refinery outage suddenly reduces the supply of CARBOB.

Following just such price spikes in the latter half of 2022, the Legislature took a number of actions to increase monitoring of the petroleum and gasoline markets, empower regulatory enforcement and plan for ways to reduce California fuel supply constraints. Specifically, the Legislature, among other actions, created the DPMO as an office within the CEC to provide independent oversight and analysis of the transportation fuels market for the protection of consumers by identifying market design flaws, market power abuses, and any other manner by which market participants act to harm competition or act contrary to the best interests of consumers. Among DPMO's statutory responsibilities is to report its findings and recommendations to improve market performance at least annually to the Legislature, the Governor, the CEC, the Attorney General and the California Department of Tax and Fee Administration.

Subsequently, in 2025, the Legislature modified an existing requirement that the CEC issue a triennial transportation fuels assessment to the Legislature so that, among other things, the CEC, in its 2027 assessment, is to evaluate the cost and supply impacts of allowing the sale in California of gasoline with specifications alternative to CARBOB and work with the ARB to recommend a strategy to facilitate the sale of such gasoline. The Legislation conditioned the CEC's need to recommend such a strategy upon the evaluation finding that allowing sale of alternative gasoline blends is likely to support a reliable and affordable supply of transportation fuel in California.

This bill modifies the dates by which CEC's assessment is due and, more significantly, requires the CEC to implement the alternative fuels strategy, rather than simply recommend it, provided the evaluation makes the findings described in the prior paragraph.

Unbranded Gasoline Tends to be Cheaper. The CEC and others monitor the retail price of gasoline in California and compare that price to prices in other states, as well as the different prices charged by California's "branded" gas stations—that is, gas stations, such as Chevron and Sinclair, operating under the same brand as the refiner—and "unbranded" gas stations, such as Rotten Robbie. The CEC has long established that gasoline sold at unbranded stations tends to be cheaper than that sold at branded stations. More recently, the director of the DPMO has criticized the higher prices charged by branded stations since the beginning of the war with Iran, publicly stating "While our price increases are consistent with the rest of the country, we are seeing inflated prices for branded gasoline." And DPMO "encourages Californians to shop around and compare prices between name-brand and unbranded (or generic) gasoline," noting that "all gasoline sold in California must meet the state's high standards for emissions control and engine performance."

This bill directs the 2027 DPMO annual report to analyze (a) the price differential between branded and unbranded gasoline sold in California and (b) market barriers to competition in the gasoline imports market, including a discussion of potential policy solutions.

3) **Support and Opposition.** This bill is supported by the Environmental Defense Fund, NextGen California and the Union of Concerned Scientists, who together assert the bill "will lower the cost of gasoline and help stabilize gasoline supply during emergencies while protecting air quality" and "provide the state with key information it needs to fix the state's broken gasoline market," which will "reduce prices at the pump as the state manages the mid transition away from fossil fuels."

The bill is opposed by the Western States Petroleum Association, which describes California as being "in a fuel supply crisis of its own making." The association sums up its objections by stating:

> At a fundamental level, SB 1245 makes California's fuel supply problem worse. It increases uncertainty for refiners, discourages investment in in-state production, and advances policy ideas that do nothing to improve fuel affordability or reliability. At a time when the state should be doing everything it can to preserve remaining capacity, SB 1245 sends the opposite message: that California remains committed to policies that make continued operation here less viable.

The bill is also opposed by the California Fuels and Convenience Alliance, which represents many unbranded gas stations. The alliance objects, primarily, though not only, to the bill's direction to the DPMO to consider "divorcement" as a possible policy solution to retail gasoline price differentials. According to the association:

Divorcement, which would prohibit oil companies from owning or operating retail fuel outlets, would produce market instability, reduce investment in retail fuel infrastructure, and harm the independent dealers and small business owners who are the backbone of California's retail fuel sector. Directing a state agency to formally study and elevate divorcement as a policy option lends unwarranted credibility to a policy that would harm thousands of small businesses and their employees across California without delivering meaningful benefits to consumers.

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